

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2014

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Dallas Center-Grimes Community School District
Officials
Year Ended June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Douglas Rothfus	President	2015
David Eilers	Vice President	2013
Scott Brown	Board Member	2013
Del Gustafson	Board Member	2013
Angela Glasgow	Board Member	2015
Kathie Hicok	Board Member	2015
Ronnie Wiedman	Board Member	2015
(After September 2013 Election)		
Douglas Rothfus	President	2015
David Eilers	Vice President	2017
Angela Glasgow	Board Member	2015
Kathie Hicok	Board Member	2015
Ronnie Wiedman	Board Member	2015
Scott Brown	Board Member	2017
Doug Rants	Board Member	2017
School District Officials		
Scott Grimes	Superintendent	2014
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2014
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Dallas Center-Grimes Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, cities of Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District at June 30, 2014, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dallas Center-Grimes Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 6, 2014

The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- ◆ General Fund revenues increased from \$19,709,648 in FY13 to \$21,965,594 in FY14 while General Fund expenditures increased from \$20,264,222 in fiscal 2013 to \$22,237,520 in FY2014. A portion of the increased expenditures are attributed to the increased costs associated with serving 157 new students.
- ◆ This resulted in an expected decrease of \$271,926 in the District's General Fund balances, including restricted, committed and unassigned fund balances, from \$5,236,338 in fiscal 2013 to \$4,964,412 in fiscal 2014.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in receipts of state funds and property tax collections due to 2% allowable growth and a significant increase in student enrollment of 157 students.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits, and the increased costs associated with opening the Meadows 8-9 facility and increased staffing associated with this opening. As student numbers increase, instructional supply expenditures increased as well. As the number of facilities increase, utility, repair, and staffing will also increase as well.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this report are arranged and relate to one another.

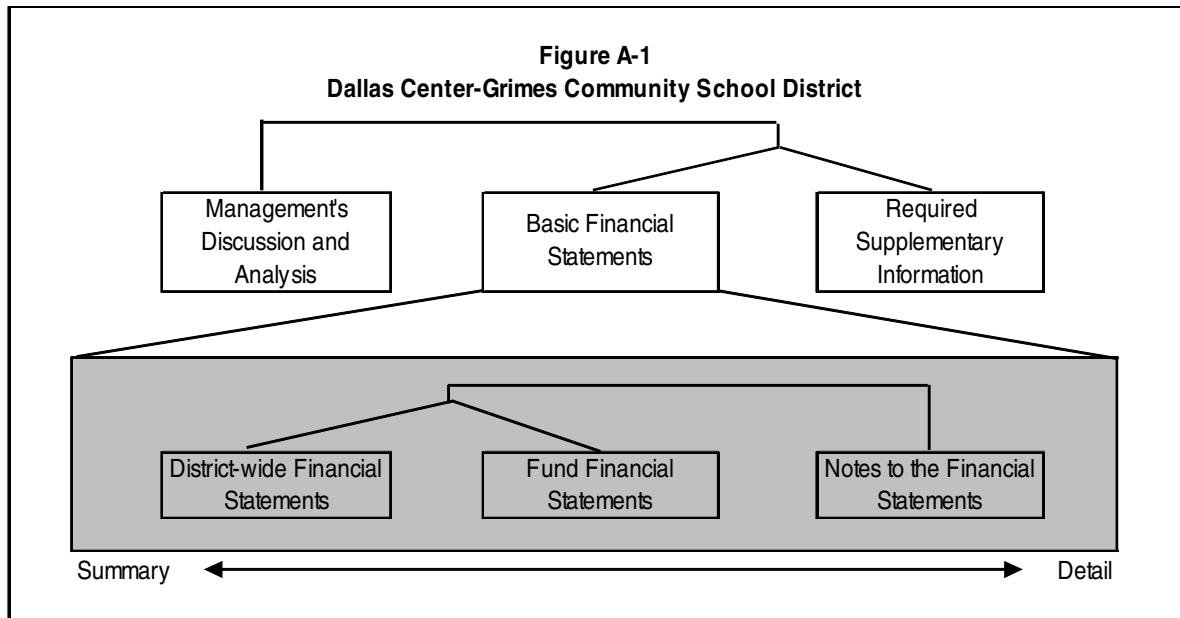


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, Debt Service, Capital Projects, Management, Student Activity	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, Bowersox Scholarship

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2014**

District-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. The valuation of the district increased 3.08%.

Review of DC-G Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent increase
FY2001	\$ 270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.92%
FY2005	383,341,568	21,921,372	5.72%
FY2006	418,254,246	34,912,678	8.35%
FY2007	453,208,099	34,953,853	7.71%
FY2008	495,093,032	41,884,933	8.46%
FY2009	550,887,628	55,794,596	10.13%
FY2010	611,963,877	61,076,249	9.98%
FY2011	681,813,196	69,849,319	10.24%
FY2012	673,865,979	(7,947,217)	-1.18%
FY 2013	710,577,633	36,711,654	5.17%
FY 2014	733,190,544	22,612,911	3.08%

Dallas Center - Grimes Facilities by Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005
Dallas Center – Grimes Sports Complex, Grimes	Final phase 9-1-2006
Dallas Center - Grimes North Ridge Elementary, Grimes	Opened 8-1-2008
Dallas Center - Grimes Meadows 8-9, Grimes	Opened 8-1-2012

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, and PPEL fund.
- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently five scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, and Bowersox Scholarship funds.
 - Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net position – Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2014 compared to 2013.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 26,258	24,755	442	510	26,700	25,265	5.7%
Capital assets	51,753	51,546	281	293	52,034	51,839	0.4%
Total assets	78,011	76,301	723	803	78,734	77,104	2.1%
Long-term liabilities	33,011	34,447	-	-	33,011	34,447	-4.2%
Other liabilities	12,756	11,979	201	270	12,957	12,249	5.8%
Total liabilities	45,767	46,426	201	270	45,968	46,696	-1.6%
Net position:							
Invested in capital assets, net of related debt	20,602	18,633	281	293	20,883	18,926	10.3%
Restricted	7,387	6,823	-	-	7,387	6,823	8.3%
Unrestricted	4,255	4,419	241	240	4,496	4,659	-3.5%
Total net position	\$ 32,244	29,875	522	533	32,766	30,408	7.8%

Capital assets increased due to new construction (Meadows) completed in August 2013.

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2014**

Figure A-4 shows the change in net position for the year ended June 30, 2014, compared to June 30, 2013.

Figure A-4								
Changes in Net Position								
(Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014	
Revenues:								
Program revenues:								
Charges for service	\$ 2,915	2,623	1,122	1,078	4,037	3,701	9.1%	
Operating grants, contributions and restricted interest	3,231	2,907	394	343	3,625	3,250	11.5%	
General revenues:								
Property tax	11,885	10,937	-	-	11,885	10,937	8.7%	
Statewide sales, services and use tax	1,875	1,713	-	-	1,875	1,713	9.5%	
Unrestricted state grants	9,013	7,782	-	-	9,013	7,782	15.8%	
Unrestricted investment earnings	72	55	-	-	72	55	30.9%	
Other	1,322	1,161	38	184	1,360	1,345	1.1%	
Total revenues	30,313	27,178	1,554	1,605	31,867	28,783	10.7%	
Program expenses:								
Governmental activities:								
Instruction	16,030	13,634	-	-	16,030	13,634	17.6%	
Support services	8,556	6,707	-	-	8,556	6,707	27.6%	
Non-instructional programs	-	-	1,565	1,479	1,565	1,479	5.8%	
Other expenses	3,358	2,701	-	-	3,358	2,701	24.3%	
Total expenses	27,944	23,042	1,565	1,479	29,509	24,521	20.3%	
Change in net position	\$ 2,369	4,136	(11)	126	2,358	4,262	-44.7%	

Property tax, sales and service tax, and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$30,312,135 and expenses were \$27,943,858

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 16,030	13,634	17.6%	10,784	8,894	21.3%
Support services	8,556	6,707	27.6%	8,480	6,646	27.6%
Other expenses	3,358	2,701	24.3%	2,534	1,972	28.5%
Totals	\$ 27,944	23,042	21.3%	21,798	17,512	24.5%

- The cost financed by users of the District's programs was \$2,914,646.
- Federal and state government subsidized certain programs with grants and contributions totaling \$ 3,230,769. The net cost of governmental activities was financed with \$13,759,430 in property and other taxes and \$9,013,096 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$1,553,863 and expenses were \$1,565,191. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District increased meal prices by .10 cents. The District continues to contract food services with Taher, Incorporated of Minnesota.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$13,745,765. The previous year, governmental funds reported a combined fund balance of \$13,024,650.

Governmental Fund Highlights

- The district unassigned/unrestricted general fund balance decreased in FY14. The general fund unassigned/unrestricted net fund balance decreased from \$5,043,415 unassigned fund balance in FY13 to \$4,827,092. The district planned for the fund balance to be reduced in the fiscal year as fund balance must reduce until a time that cash reserve levy can again be levied. This will result in progress toward a solvency ratio closer to the District goal percentage. At this time, the District fund balance is in excess of the 20% limitation calculated to levy cash reserve funds. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 22%, a planned decline of 4%.
- DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the district's ability to maintain a constant property tax rate.
- Over the past ten years the net impact of open enrollment has been very positive for DC-G. There was net \$1,360,426 more available for funding programs within our district in 13-14 due to positive net open enrollment of 226 students.
- In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the district elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The district voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009 and again in December 2013 for the five year period beginning July 1, 2013. It will be imperative for the district to continue to renew the instructional support levy in the future to maintain programs during enrollment growth.
- The district has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, and has allowed the regular operating budget to absorb other increases.
- The district's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant or increasing fund balance.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$1,206,026 at the end of FY13 to \$ 866,018 at the end of FY14. Funds were spent primarily on a major technology infrastructure upgrade to support 1:1 computers in the high school, school bus purchases, carpet replacement, and other district repairs and maintenance.

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2014**

- The Management fund balance decreased from \$529,825 at June 30, 2013 to \$409,099 at the close of FY14. The planned use of fund balance helped to control the property tax rate but cannot be utilized on a continuing basis.

Proprietary Fund Highlights

School Nutrition cash/investments and inventories decreased from \$230,213 at June 30, 2013 to \$229,670 at June 30, 2014. The Farm account cash/investments increased from \$11,005 at FY13 to \$11,281 at FY14.

BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were needed in three of the four areas, the instructional area, the support services area, and the non-instructional area. The amendment was enacted by the Board prior to the deadline.

The District's receipts were \$222,218 higher than budgeted receipts, a variance of approximately one-half of one percent.

It is the district's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$51.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,718,357 in both governmental and business type activities.

**Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 1,994	1,994	-	-	1,994	1,994	0.0%
Construction in progress	1,397	-	-	-	1,397	-	-
Buildings	46,282	47,401	-	-	46,282	47,401	-2.4%
Improvements other than buildings	148	231	-	-	148	231	-35.9%
Furniture and equipment	1,932	1,920	281	293	2,213	2,213	0.0%
Totals	\$ 51,753	51,546	281	293	52,034	51,839	0.4%

Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2014
Long Term Debt

At June 30, 2014, the District has \$33,369,429 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately five percent from last year attributable to repayment of obligations. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 28,005	29,315	-4.5%
GO bond discount, net	(93)	(100)	-7.0%
GO bond deferred costs, net	(358)	(418)	-14.4%
GO bond premium, net	17	20	-15.0%
Revenue bonds	4,925	4,925	0.0%
Revenue bond discount, net	(57)	(61)	-6.6%
Early retirement	509	669	-23.9%
Other postemployment benefi	63	97	-
Totals	\$ 33,011	34,447	-4.2%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, Purchase of Meadows land & build/furnish high school on Meadows land	(Levy A only)
	1.26 million bond sold to begin construction and make land purchases	Pass
November 23, 1999	Passage of the Polk County Local Option Sales Tax	Levy B – Fail
	Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the 9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue 6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction, and furnishing of a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of Voter-Approved PPEL Levy not to exceed \$1.34 / \$1000	Pass
September 9, 2008	Revenue purpose statement SAVE / LOSST fund	Pass
September 14, 2010	QSCB General Obligation Bond \$11,315,000 Taxable for 8-9 building	Pass

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- The district continues to experience enrollment growth. The district's population in 2010 is currently estimated at 9,869 which is approximately 51% growth over the 2000 census. The City of Grimes has requested a special census for 2015.

- The most recent bond issue voted September 14, 2010 had an 82% positive vote in the election and construction has begun in FY 2011 on a new Meadows 8-9 facility in Grimes that was completed in August 2013.
- Private and corporate homebuilders continue to select the Grimes area for new home construction. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth expected will greatly stress current facilities. The district continues to monitor growth of residential housing by monitoring the number of building permits granted and it is noted that recent data indicates a sharp incline in new building permits filed within the District.
- Two large developments continue to proceed in the City of Grimes: the Heritage development and the Beaverbrook development. Rapid home building in each of these areas is being continually monitored by the District. Residential building permits are being requested well above the historical levels. The district will need to closely monitor changes in enrollment and make staffing changes immediately. Failure to monitor and/or to react to enrollment declines will negatively impact the district's budget.
- The District has contracted the services of RSP Associates to monitor and project enrollment growth. This is yet another factor providing information to the administration and subsequently to the Facilities committee to plan for enrollment growth.
- In September 2008, the district approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.
- In the fall of 2008, the district established a community wide facility committee. The facility committee continues to meet to review future facility needs of the district and reviews uses of funds for projects or the need for future bonding for major construction. This committee is also expected to review the need for voter-approved PPEL which will expire after 2015-16 without renewal and carry that issue forward to the public in the coming year.
- Along with growth, transportation needs to transport students to school locations continues to grow. The district has purchased two new buses. The district will need to maintain a level of at least two to three bus purchases annually in the future which has been included in the district ten-year PPEL planning. If neighborhood school boundaries are changed, bussing needs may also change and additional buses must be purchased per year.
- The district has a limited transportation facility at this time, and with a growing fleet the need for a central location to store and perform maintenance on the fleet increases. Land was purchased at the edge of Grimes for this future purpose, bids were received for construction of a transportation facility including a building for central storage and warehousing at this location. This project will be funded with SAVE local option sales tax funds.
- Fiscal 2014 was the first year of a one-year contract with the Dallas Center-Grimes Education Association. The package totaled just over 5.4%. Future increases are tied to the allowable growth set by the state, which allows for a positive situation for the district. If needed, staff increases can be limited to lane, step, and insurance increases.
- In May 2014, the bond rating was reviewed by Moody's Investing Service for the fifth time and the rating was improved from Aa3 to Aa2. The report noted areas of strength including tax base growth, increasing enrollment, and strong fiscal management.
- Over the past several years, the district net open enrollment in and out number has improved dramatically. The 2014 and 2015 school years will experience a net positive open enrollment students near the same figures as the previous fiscal year. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment and make immediate changes in staffing levels if open enrollment drops. The district needs to continue to foster open enrollment to the extent that facilities allow.
- In the January 1, 2014 assessment of District taxable valuation, property values increased by 3.18%. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.
- Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.

- The district has grown an average of 47 students per year for the past ten years. The growth recorded in September 2008 was 63 students, September 2009 was 53 students, September 2010 was 58 students, September 2011 was 28 students, September 2013 was a record 157.37 students, and September 2014 was an increase of 104.37. Although this level of growth is not planned for the future, it is prudent for the district to plan for growth of 50 to 75 students per year. This increase creates facility challenges as the district also increases its preschool program.
- To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.
- Two years ago, Walmart opened a new store in the City of Grimes. Although not in the school district, the expected and planned retail development will impact the district's taxable valuation and enrollment. Commercial growth continues to happen in this area and land has been donated near this site for a YMCA.
- Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as district facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs and renewal of this levy will be imperative for the District.
- The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in valuation will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.
- Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.
- The District has structured payments for General Obligation bonds with several larger payments in the years 2027, 2028, and 2029. This structure will create difficulty in future bonding schedules, and the Board will prudently review this situation and take available action to consider using subsidy payments and pre-levying funds toward prepayment of those bonds to create a favorable payment structure for the future.
- Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

Basic Financial Statements

Dallas Center-Grimes Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,028,419	219,124	14,247,543
Receivables:			
Property tax:			
Delinquent	41,872	-	41,872
Succeeding year	11,473,028	-	11,473,028
Due from other funds	189,637	-	189,637
Due from other governments	525,725	-	525,725
Inventories	-	222,776	222,776
Capital assets, net of accumulated depreciation	51,752,712	280,972	52,033,684
Total assets	78,011,393	722,872	78,734,265
Deferred Outflows of Resources			
Deferred Bond Costs	358,000	-	358,000
Liabilities			
Accounts payable	615,353	11,312	626,665
Salaries and benefits payable	424,535	-	424,535
Due to other funds	-	189,637	189,637
Accrued interest payable	243,358	-	243,358
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,365,000	-	1,365,000
Early retirement	147,907	-	147,907
Portion due after one year:			
General obligation bonds	26,564,465	-	26,564,465
Revenue bonds	4,867,803	-	4,867,803
Early retirement	361,254	-	361,254
Net OPEB liability	63,000	-	63,000
Total liabilities	34,652,675	200,949	34,853,624
Deferred Inflows of Resources			
Unavailable property tax revenue	11,473,028	-	11,473,028
Net position			
Net investment in capital assets	20,602,366	280,972	20,883,338
Restricted for:			
Categorical funding	137,320	-	137,320
Debt service	3,973,736	-	3,973,736
Management levy purposes	409,099	-	409,099
Physical plant and equipment	866,018	-	866,018
Capital projects	1,769,427	-	1,769,427
Student activities	230,793	-	230,793
Unrestricted	4,254,931	240,951	2,061,049
Total net position	\$ 32,243,690	521,923	32,765,613

See notes to financial statements.

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues					Net (Expense) Revenue & Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 9,796,736	2,098,675	1,958,111	(5,739,950)	-	(5,739,950)
Special instruction	3,588,425	307,261	334,828	(2,946,336)	-	(2,946,336)
Other instruction	2,644,502	455,815	91,373	(2,097,314)	-	(2,097,314)
	16,029,663	2,861,751	2,384,312	(10,783,600)	-	(10,783,600)
Support Services:						
Student	599,794	-	-	(599,794)	-	(599,794)
Instructional staff	1,182,734	-	-	(1,182,734)	-	(1,182,734)
Administration	2,735,240	-	-	(2,735,240)	-	(2,735,240)
Operating and maintenance of plant	2,728,356	-	-	(2,728,356)	-	(2,728,356)
Transportation	1,309,989	52,895	22,717	(1,234,377)	-	(1,234,377)
	8,556,113	52,895	22,717	(8,480,501)	-	(8,480,501)
Other expenditures:						
Facilities acquisition	1,084,739	-	-	(1,084,739)	-	(1,084,739)
Long-term debt interest	1,449,603	-	-	(1,449,603)	-	(1,449,603)
AEA flowthrough	823,740	-	823,740	-	-	-
	3,358,082	-	823,740	(2,534,342)	-	(2,534,342)
Total governmental activities	27,943,858	2,914,646	3,230,769	(21,798,443)	-	(21,798,443)
Business type activities:						
Non-instructional programs:						
Food service operations	1,321,097	918,432	393,491	-	(9,174)	(9,174)
Student construction	241,665	201,057	-	-	(40,608)	(40,608)
Farm account	2,429	2,705	-	-	276	276
Total business type activities	1,565,191	1,122,194	393,491	-	(49,506)	(49,506)
Total primary government	\$ 29,509,049	4,036,840	3,624,260	(21,798,443)	(49,506)	(21,847,949)

Exhibit B

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
					Total
Totals from previous page	\$ 29,509,049	4,036,840	3,624,260	(21,798,443)	(49,506)
General Revenues:					
Property tax levied for:					
General purposes				7,664,601	-
Debt service				3,035,476	-
Capital outlay				1,184,920	-
Statewide sales, services and use tax				1,874,433	-
Unrestricted state grants				9,013,096	-
Unrestricted investment earnings				72,125	532
Other				1,295,209	-
Contributions not restricted to specific programs				26,860	-
Contributed capital				-	37,646
Total general revenues				24,166,720	38,178
Change in net position				2,368,277	(11,328)
Net position beginning of year				29,875,413	533,251
Net position end of year				\$ 32,243,690	521,923

See notes to financial statements.

Dallas Center-Grimes Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments					
Other	\$ 5,261,918	4,207,290	4,103,931	455,280	14,028,419
Receivables:					
Property tax:					
Delinquent	25,864	9,804	3,982	2,222	41,872
Succeeding year	7,383,039	2,330,563	1,224,428	534,998	11,473,028
Due from other funds	-	-	-	189,637	189,637
Due from other governments	379,549	-	146,176	-	525,725
Total assets	\$ 13,050,370	6,547,657	5,478,517	1,182,137	26,258,681
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 278,384	-	329,722	7,247	615,353
Salaries and benefits payable	424,535	-	-	-	424,535
Total liabilities	702,919	-	329,722	7,247	1,039,888
Deferred inflows of resources :					
Unavailable revenues:					
Succeeding year property tax	7,383,039	2,330,563	1,224,428	534,998	11,473,028
Total deferred inflows of resources	7,383,039	2,330,563	1,224,428	534,998	11,473,028
Fund balances:					
Restricted for:					
Categorical funding	137,320	-	-	-	137,320
Debt service	-	4,217,094	-	-	4,217,094
Management levy purposes	-	-	-	409,099	409,099
Student activities	-	-	-	230,793	230,793
School infrastructure	-	-	3,058,349	-	3,058,349
Physical plant and equipment	-	-	866,018	-	866,018
Unassigned	4,827,092	-	-	-	4,827,092
Total fund balances	4,964,412	4,217,094	3,924,367	639,892	13,745,765
Total liabilities, deferred inflows of resources and fund balances	\$ 13,050,370	6,547,657	5,478,517	1,182,137	26,258,681

See notes to financial statements.

Exhibit D

**Dallas Center-Grimes Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (Exhibit C) **\$ 13,745,765**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Land	\$ 1,993,829	
Construction in progress	1,397,106	
Buildings	56,613,792	
Improvements	1,436,448	
Vehicles, furniture and equipment	5,933,872	
Accumulated depreciation	<u>(15,622,335)</u>	51,752,712

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

General obligation bonds	(28,005,000)	
Sales tax revenue bonds	(4,925,000)	
Bond discounts, net	150,094	
Deferred bond costs, net	358,000	
Bond premiums, net	(17,362)	
Accrued interest payable	(243,358)	
Other postemployment benefits	(63,000)	
Special termination benefits	<u>(509,161)</u>	(33,254,787)

Net position of governmental activities (Exhibit A) **\$ 32,243,690**

See notes to financial statements.

Exhibit E

Dallas Center-Grimes Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 7,065,584	3,035,476	1,184,920	599,017	11,884,997
Tuition	2,160,260	-	-	-	2,160,260
Other	494,488	845,471	349,991	456,345	2,146,295
State sources	11,709,512	554	1,874,647	120	13,584,833
Federal sources	535,750	-	-	-	535,750
Total revenues	21,965,594	3,881,501	3,409,558	1,055,482	30,312,135
Expenditures:					
Current:					
Instruction:					
Regular	9,351,570	-	-	217,189	9,568,759
Special	3,588,540	-	-	-	3,588,540
Other	1,376,365	-	-	438,683	1,815,048
	14,316,475	-	-	655,872	14,972,347
Support services:					
Student	598,037	-	-	-	598,037
Instructional staff	1,057,144	-	-	-	1,057,144
Administration	2,251,684	-	459,944	-	2,711,628
Operation and maintenance of plant	2,214,215	-	23,849	480,862	2,718,926
Transportation	976,225	-	404,174	21,812	1,402,211
	7,097,305	-	887,967	502,674	8,487,946
Other expenditures:					
Facilities acquisition	-	-	2,610,141	-	2,610,141
Long-term debt:					
Principal	-	1,310,000	-	-	1,310,000
Interest and fiscal charges	-	1,386,846	-	-	1,386,846
AEA flowthrough	823,740	-	-	-	823,740
	823,740	2,696,846	2,610,141	-	6,130,727
Total expenditures	22,237,520	2,696,846	3,498,108	1,158,546	29,591,020
Excess (deficiency) of revenues over (under) expenditures	(271,926)	1,184,655	(88,550)	(103,064)	721,115
Other financing sources (uses):					
Operating transfers in	-	289,613	-	-	289,613
Operating transfers out	-	-	(289,613)	-	(289,613)
Total other financing sources (uses)	-	289,613	(289,613)	-	-
Change in fund balances	(271,926)	1,474,268	(378,163)	(103,064)	721,115
Fund balances beginning of year, as restated	5,236,338	2,742,826	4,302,530	742,956	13,024,650
Fund balances end of year	\$ 4,964,412	4,217,094	3,924,367	639,892	13,745,765

See notes to financial statements.

Exhibit F

Dallas Center-Grimes Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) **\$ 721,115**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and other transactions involving capital assets in the year are as follows:

Capital outlays	\$ 1,875,289	
Depreciation expense	(1,668,841)	206,448

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond principal repaid	1,310,000	
Amortization of bond premium	3,019	
Amortization of deferred bond costs	(59,667)	
Amortization of bond discount	(11,245)	1,242,107

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,136

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	159,254	
Other postemployment benefits	34,217	193,471

Change in net position of governmental activities (Exhibit B) **\$ 2,368,277**

See notes to financial statements.

Exhibit G

Dallas Center-Grimes Community School District
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 219,124
Inventories	222,776
Capital assets, net of accumulated depreciation	<u>280,972</u>
Total assets	<u>722,872</u>
Liabilities	
Accounts payable	11,312
Due to other funds	<u>189,637</u>
Total liabilities	<u>200,949</u>
Net Position	
Net investment in capital assets	280,972
Unrestricted	<u>240,951</u>
Total net position	<u><u>\$ 521,923</u></u>

See notes to financial statements.

Exhibit H

Dallas Center-Grimes Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds
Operating revenues:	
Local sources:	
Operating revenues	\$ 1,122,194
Operating expenses:	
Instructional programs:	
Support services:	
Services	150,772
Supplies	93,322
	244,094
Non-instructional programs:	
Food service operations:	
Services	1,189,473
Supplies	82,108
Depreciation	49,516
	1,321,097
Total operating expenses	1,565,191
Operating loss	(442,997)
Non-operating revenues:	
State sources	10,158
Federal sources	383,333
Interest income	532
Total non-operating revenues	394,023
Income (loss) before other sources (uses)	(48,974)
Other sources (uses)	
Capital contributions	37,646
Total other sources (uses)	37,646
Changes in net position	(11,328)
Net position beginning of year	533,251
Net position end of year	\$ 521,923

See notes to financial statements.

Exhibit I

Dallas Center-Grimes Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 893,733
Cash received from miscellaneous operating activities	497,896
Cash payments to suppliers for goods or services	(1,675,177)
Net cash used by operating activities	<u>(283,548)</u>
Cash flows from non-capital financing activities:	
State grants received	10,158
Federal grants received	306,490
Net cash provided by non-capital financing activities	<u>316,648</u>
Cash flows from capital and related financing activities:	
Interfund loan	(39,014)
Net cash used by capital and related financing activities	<u>(39,014)</u>
Cash flows from investing activities:	
Interest on investments	<u>532</u>
Net decrease in cash and cash equivalents	(5,382)
Cash and cash equivalents at beginning of year	<u>224,506</u>
Cash and cash equivalents at end of year	<u><u>\$ 219,124</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (442,997)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	76,843
Depreciation	49,516
Decrease in accounts receivable	269,435
(Increase) in inventories	(206,058)
(Decrease) in accounts payable	(30,287)
Net cash used by operating activities	<u><u>\$ (283,548)</u></u>
Reconciliation of cash and cash equivalents at year end to	
specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 219,124
Cash and cash equivalents at year end	<u><u>\$ 219,124</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$76,843 of federal commodities.

See notes to financial statements.

Exhibit J

Dallas Center-Grimes Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 176,871	6,021
Total assets	176,871	6,021
Liabilities		
Accounts payable	-	6,021
Total liabilities	-	6,021
Net position		
Reserved for scholarships	176,871	-
Total net assets	\$ 176,871	-

See notes to financial statements.

Exhibit K

Dallas Center-Grimes Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2014

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 77,815
Interest income	121
Total additions	<u>77,936</u>
Deductions:	
Support services:	
Scholarships awarded	<u>74,100</u>
Change in net position	3,836
Net position beginning of year	<u>173,035</u>
Net position end of year	<u><u>\$ 176,871</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the

operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District’s policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District’s policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the support services function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the following:

Iowa Schools Joint Investment Trust:	
Diversified Portfolio	\$ 10,794,129
Bankers Trust:	
ISJIT Diversified Portfolio	596,573
US Treasury Notes	2,438,777
Financial Guaranty Insurance Co	1
MBIA Insurance Corp	1
IPASeducation Program:	
Institutional Money Market	3
	<u>\$ 13,829,484</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust and the IPASeducation program were both rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program share. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 289,613
		<u>\$ 289,613</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,993,829	-	-	1,993,829
Construction in progress	-	1,397,106	-	1,397,106
Total capital assets not being depreciated	1,993,829	1,397,106	-	3,390,935
Capital assets being depreciated:				
Buildings	56,613,792	-	-	56,613,792
Improvements other than buildings	1,436,448	-	-	1,436,448
Furniture and equipment	5,499,681	478,183	43,992	5,933,872
Total capital assets being depreciated	63,549,921	478,183	43,992	63,984,112
Less accumulated depreciation for:				
Buildings	9,212,300	1,119,558	-	10,331,858
Improvements other than buildings	1,205,521	82,709	-	1,288,230
Furniture and equipment	3,579,665	466,574	43,992	4,002,247
Total accumulated depreciation	13,997,486	1,668,841	43,992	15,622,335
Total capital assets being depreciated, net	49,552,435	(1,190,658)	-	48,361,777
Governmental activities capital assets, net	\$ 51,546,264	206,448	-	51,752,712
Business type activities:				
Furniture and equipment	\$ 655,577	37,646	-	693,223
Less accumulated depreciation	362,735	49,516	-	412,251
Business type activities capital assets, net	\$ 292,842	(11,870)	-	280,972

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 406,535
Special	6,012
Other	830,148

Support services:

Student support	3,607
Instructional staff	127,440
Administration	73,338
Operation and maintenance of plant	12,435
Transportation	209,326

Total governmental activities depreciation expense	\$ 1,668,841
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Business type activities:

Food services	\$ 49,516
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 29,315,000	-	1,310,000	28,005,000	1,365,000
GO bond discounts	(100,175)	-	(7,278)	(92,897)	-
GO bond premiums	20,381	-	3,019	17,362	-
Revenue bonds	4,925,000	-	-	4,925,000	-
Revenue bond discounts	(61,164)	-	(3,967)	(57,197)	-
Early retirement	668,415	-	159,254	509,161	147,906
Net OPEB liability	97,217	-	34,217	63,000	-
Total	\$ 34,864,674	-	1,495,245	33,369,429	1,512,906

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year ending	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004			Bond Issue of May 1, 2006		
June 30,	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest
2015	1.00	275,000	10,588	4.30	\$ 10,000	140,102	1.000	100,000	3,950
2016	-	-	-	4.30	10,000	139,673	-	-	-
2017	-	-	-	4.40	10,000	139,242	-	-	-
2018	-	-	-	4.45	10,000	138,803	-	-	-
2019	-	-	-	4.50	10,000	138,357	-	-	-
2020	-	-	-	4.55	10,000	137,908	-	-	-
2021	-	-	-	4.65	10,000	137,452	-	-	-
2022	-	-	-	4.75	5,000	136,988	-	-	-
2023	-	-	-	5.00	1,335,000	136,750	-	-	-
2024	-	-	-	5.00	1,400,000	70,000	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
		275,000	10,588		2,810,000	1,315,275		100,000	3,950

Dallas Center-Grimes Community School District
Notes to Financial Statements
June 30, 2014

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of April 1, 2010			Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest
2015	2.500	680,000	125,085	5.625	-	620,156
2016	2.500	700,000	108,085	5.625	-	620,156
2017	2.650	735,000	90,585	5.625	-	620,156
2018	2.800	765,000	71,108	5.625	-	620,156
2019	3.000	790,000	49,687	5.625	-	620,156
2020	3.150	825,000	25,987	5.625	-	620,156
2021	-	-	-	5.625	-	620,156
2022	-	-	-	5.625	-	620,156
2023	-	-	-	5.625	-	620,156
2024	-	-	-	5.625	-	620,156
2025	-	-	-	5.625	-	620,156
2026	-	-	-	5.625	-	620,156
2027	-	-	-	5.625	-	620,156
2028	-	-	-	5.625	-	620,156
2029	-	-	-	5.625	11,025,000	620,156
		4,495,000	470,537		11,025,000	9,302,340

Year ending June 30,	Bond Issue of February 1, 2012			Total		
	Int. Rate %	Principal	Interest	Principal	Interest	Total
2015	1.000	300,000	156,062	1,365,000	1,055,943	2,420,943
2016	1.000	700,000	153,062	1,410,000	1,020,976	2,430,976
2017	1.000	685,000	146,062	1,430,000	996,045	2,426,045
2018	1.000	690,000	139,212	1,465,000	969,279	2,434,279
2019	1.500	700,000	132,313	1,500,000	940,513	2,440,513
2020	1.500	700,000	121,813	1,535,000	905,864	2,440,864
2021	1.750	1,400,000	111,313	1,410,000	868,921	2,278,921
2022	1.750	1,400,000	86,813	1,405,000	843,957	2,248,957
2023	2.000	150,000	62,313	1,485,000	819,219	2,304,219
2024	2.250	175,000	59,313	1,575,000	749,469	2,324,469
2025	2.250	1,300,000	55,375	1,300,000	675,531	1,975,531
2026	2.375	1,100,000	26,125	1,100,000	646,281	1,746,281
2027	-	-	-	-	620,156	620,156
2028	-	-	-	-	620,156	620,156
2029	-	-	-	11,025,000	620,156	11,645,156
		9,300,000	1,249,776	\$28,005,000	12,352,466	40,357,466

Crossover Refundings – February 1, 2012

On February 1, 2012, the District issued \$9,500,000 in general obligation bonds to advance refund \$4,190,000 of outstanding general obligation bonds dated November 1, 2002, and \$5,015,000 of outstanding general obligation bonds dated May 1, 2006, in a crossover refunding. The proceeds of the refunding bonds have been placed in an irrevocable escrow account and have been invested in U.S. Government Obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2002 bonds after November 1, 2013, and principal and interest due on the Series 2006 bonds after December 1, 2013. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,839,215 and resulted in an economic gain of \$1,496,858.

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest
2015	5.850	\$ -	288,112
2016	5.850	-	288,113
2017	5.850	-	288,112
2018	5.850	-	288,113
2019	5.850	-	288,112
2020	5.850	-	288,113
2021	5.850	-	288,112
2022	5.850	-	288,113
2023	5.850	-	288,112
2024	5.850	-	288,113
2025	5.850	-	288,112
2026	5.850	-	288,113
2027	5.850	-	288,112
2028	5.850	-	288,113
2029	5.850	-	288,112
2030	5.850	4,925,000	144,056
		<u>\$ 4,925,000</u>	<u>4,465,743</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,925,000 of bonds issued in December 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,465,743. For the current year, \$288,113 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,874,433.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2014.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012, were \$1,226,602, \$1,084,974, and \$952,443, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 310 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 233,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	231,000
Contributions made	(265,217)
Increase in net OPEB obligation	(34,217)
Net OPEB obligation beginning of year	97,217
Net OPEB obligation end of year	\$ 63,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$265,217 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 204,000	76.47%	\$ 48,000
June 30, 2011	204,559	76.26%	96,559
June 30, 2012	190,000	100.53%	95,559
June 30, 2013	192,658	99.14%	97,217
June 30, 2014	231,000	114.81%	63,000

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2,016,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,016,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,000,000, and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2013 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2013.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its full-time, certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must have completed an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2014 totaled \$159,254.

(9) Risk Management

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$823,740 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transaction

The District had business transactions totaling \$3,909 between the District and District officials during the year ended June 30, 2014.

(12) Construction Commitment

The District has entered into various contracts totaling \$1,638,651 for an addition to Northridge Elementary. As of June 30, 2014, costs of \$1,397,106 had been incurred against the contracts. The balance of \$241,545 will be paid as work on the project progresses.

(13) Restatement

The beginning Debt Service fund balance was adjusted downwards in the amount of \$417,667 due to a change in accounting method regarding deferred bond costs. Beginning net position remained unchanged.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Dallas Center-Grimes Community School District
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance-Favorable (Unfavorable)
Revenues:						
Local sources	\$ 16,191,552	1,122,726	17,314,278	16,146,270	16,146,270	1,168,008
State sources	13,584,833	10,158	13,594,991	13,879,039	13,879,039	(284,048)
Federal sources	535,750	383,333	919,083	1,580,825	1,580,825	(661,742)
Total revenues	30,312,135	1,516,217	31,828,352	31,606,134	31,606,134	222,218
Expenditures:						
Instruction	14,972,347	-	14,972,347	16,043,508	16,043,508	1,071,161
Support services	8,487,946	244,094	8,732,040	8,178,348	8,603,348	(128,692)
Non-instructional programs	-	1,321,097	1,321,097	1,311,591	1,511,591	190,494
Other expenditures	6,130,727	-	6,130,727	6,118,424	6,318,424	187,697
Total expenditures	29,591,020	1,565,191	31,156,211	31,651,871	32,476,871	1,320,660
Excess (deficiency) of revenues over (under) expenditures	721,115	(48,974)	672,141	(45,737)	(870,737)	1,542,878
Other financing sources, net	-	37,646	37,646	-	-	37,646
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	721,115	(11,328)	709,787	(45,737)	(870,737)	1,580,524
Balance beginning of year, as restated	13,024,650	533,251	13,557,901	21,227,012	21,227,012	(7,669,111)
Balance end of year	\$ 13,745,765	521,923	14,267,688	21,181,275	20,356,275	(6,088,587)

See accompanying independent auditor's report.

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the support services functional area by \$128,692. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$823,740 for the year ended June 30, 2014.

Dallas Center-Grimes Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	2,190,000	2,190,000	0.0%	\$ 10,300,000	21.3%
2011	July 1, 2009	-	2,190,000	2,190,000	0.0%	10,800,000	20.3%
2012	July 1, 2011	-	1,968,000	1,968,000	0.0%	11,400,000	17.3%
2013	July 1, 2011	-	1,968,000	1,968,000	0.0%	12,500,000	15.7%
2014	July 1, 2013	-	2,016,000	2,016,000	0.0%	13,000,000	15.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Dallas Center-Grimes Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 217,240	238,040	455,280
Receivables:			
Property tax:			
Delinquent	2,222	-	2,222
Succeeding year	534,998	-	534,998
Due from other funds	189,637	-	189,637
Total assets	\$ 944,097	238,040	1,182,137
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	7,247	7,247
Total liabilities	-	7,247	7,247
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	534,998	-	534,998
Total deferred inflows of resources	534,998	-	534,998
Fund balances:			
Restricted for:	409,099	-	409,099
Management levy purposes	-	230,793	230,793
Student activities	409,099	230,793	639,892
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	\$ 944,097	238,040	1,182,137

See accompanying independent auditor's report.

Schedule 2

Dallas Center-Grimes Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2014

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 599,017	-	599,017
Other	-	456,345	456,345
State sources	120	-	120
Total revenues	599,137	456,345	1,055,482
Expenditures:			
Current:			
Instruction:			
Regular	217,189	-	217,189
Other	-	438,683	438,683
Support Services:			
Operation and maintenance of plant	480,862	-	480,862
Transportation	21,812	-	21,812
Total expenditures	719,863	438,683	1,158,546
Excess (deficiency) of revenues over (under) expenditures	(120,726)	17,662	(103,064)
Fund balances beginning of year	529,825	213,131	742,956
Fund balances end of year	\$ 409,099	230,793	639,892

See accompanying independent auditor's report.

Schedule 3

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS Annual	\$ 4,155	2,110	6,747	1,482	1,000
HS Art Club	1,157	-	-	-	1,157
Athletics	1,873	59,242	29,492	(22,622)	9,001
Athletics Resale	283	23,068	29,301	5,950	-
HS/MS/Elem Band Resale	4,790	8,679	1,908	(1,692)	9,869
Baseball	-	9,449	11,914	2,465	-
Boosters	-	51,821	46,664	(5,157)	-
Boys/Girls Basketball	494	30,789	34,853	3,570	-
Character Counts	418	-	-	-	418
Class of:					
2010	-	-	2,219	2,219	-
2011	-	3,140	3,028	-	112
2013	2,326	-	1,953	(373)	-
2014	1,894	270	175	(1,847)	142
2015	4,812	3,843	1,047	-	7,608
2016	2,957	3,145	-	-	6,102
Cross Country	-	1,596	2,605	1,009	-
DC Presbyterian Student Emergency Fund	5,579	1,000	1,214	-	5,365
Dig Pink Volleyball	45	-	-	-	45
Drama/Speech	-	50	1,742	1,692	-
Drill Team	319	-	-	-	319
Equip Repair	-	5,042	2,577	-	2,465
Football	6,849	56,126	59,500	-	3,475
HS French Club	685	-	-	-	685
FFA	9,649	14,180	14,386	-	9,443
FHA	2,321	-	153	-	2,168
Girls Softball	-	10,850	15,251	4,401	-
Golf	1,244	-	5,608	4,364	-
HS Bakers	1,123	1,654	2,484	-	293
HS Enterprise	272	-	-	-	272
HS Student Council	3,003	4,003	682	-	6,324
HS Honor Society	931	2,508	1,807	-	1,632
HS Cheerleading	65	100	2,391	2,226	-
HS Dance Marathon	300	4,297	4,249	-	348
HS Juice/Pop Machine	4,137	15,717	9,651	(3,708)	6,495
HS Sign-Monument Fundraiser	122	-	-	-	122
HS Band/Vocal Fundraiser	-	-	360	360	-
Horticulture Club	202	933	210	-	925
Interest	6,463	530	99	-	6,894
Soccer	-	13,051	12,370	-	681
HS Drama/Musical	11,385	2,399	664	-	13,120
MS Drama/Musical	1,912	1,157	-	-	3,069
P.A.L.S.	1,866	1,063	-	-	2,929
Picture Fund	11,283	8,737	9,696	-	10,324
SADD	380	-	-	-	380

Schedule 3

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Spanish Club	638	-	-	-	638
Track	2,669	10,324	12,687	-	306
Volleyball	-	6,266	9,047	2,781	-
Washington DC fundraiser	1,148	4,039	5,187	-	-
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	-	8,732	11,972	3,240	-
Meadows Yearbook	1,395	923	3,382	2,000	936
HS/MS/Elem Vocal Resale	7,215	12,518	15,812	-	3,921
Jr. High Annual	7,455	1,649	-	(2,000)	7,104
Jr. High Cheerleading	1,906	-	-	-	1,906
Jr. High Home Economics	-	-	6,233	6,233	-
Jr. High Juice/Pop Machine	12,125	36,598	29,475	(6,245)	13,003
Jr. High Student Council	6,686	1,066	490	-	7,262
MS Athletics	4	971	-	-	975
MS Band/Vocal Fundraiser	3,758	-	-	(360)	3,398
Northridge Fundraiser	4,786	3,811	2,808	(459)	5,330
Meadows Pop Fundraiser	3,007	4,439	4,622	-	2,824
Meadows Student Council	3,351	2,760	2,040	-	4,071
Kiwanis Key Club	1,316	4,334	4,709	-	941
Seniors Against Cancer 2010	36	-	-	-	36
K. Reed Baseball Fundraiser	5,607	-	-	-	5,607
FFA Test Plot	16,981	-	2,294	-	14,687
Elementary Fundraiser - Grimes	16,813	7,933	6,497	459	18,708
Elementary Fundraiser - D.C.	18,943	8,098	3,418	-	23,623
DC Memorial Bricks	-	-	12	12	-
Elementary Student Council	998	1,335	998	-	1,335
Total	\$ 213,131	456,345	438,683	-	230,793

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,198,918	905,013	4,103,931
Receivables:			
Property tax:			
Delinquent	-	3,982	3,982
Succeeding year	-	1,224,428	1,224,428
Due from other governments	146,176	-	146,176
Total assets	\$ 3,345,094	2,133,423	5,478,517
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ 286,745	42,977	329,722
Total liabilities	286,745	42,977	329,722
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	1,224,428	1,224,428
Total deferred inflows of resources	-	1,224,428	1,224,428
Fund balances:			
Restricted for:			
School infrastructure	3,058,349	-	3,058,349
Physical plant and equipment	-	866,018	866,018
Total fund balances	3,058,349	866,018	3,924,367
Total liabilities, deferred inflows of resources and fund balances	\$ 3,345,094	2,133,423	5,478,517

See accompanying independent auditor's report.

Schedule 5

Dallas Center-Grimes Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	1,184,920	1,184,920
Other	2,106	347,885	349,991
State sources	1,874,433	214	1,874,647
Total revenues	1,876,539	1,533,019	3,409,558
Expenditures:			
Support services:			
Administration	-	459,944	459,944
Operation and maintenance of plant	-	23,849	23,849
Transportation	-	404,174	404,174
Other expenditures:			
Facilities acquisition	1,625,081	985,060	2,610,141
Total expenditures	1,625,081	1,873,027	3,498,108
Excess (deficiency) of revenues over (under) expenditures	251,458	(340,008)	(88,550)
Other financing uses:			
Operating transfers out	(289,613)	-	(289,613)
Total other financing uses	(289,613)	-	(289,613)
Change in fund balances	(38,155)	(340,008)	(378,163)
Fund balances beginning of year	3,096,504	1,206,026	4,302,530
Fund balances end of year	\$ 3,058,349	866,018	3,924,367

See accompanying independent auditor's report.

Schedule 6

Dallas Center-Grimes Community School District
Combining Statement of Net Assets
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 207,843	-	11,281	219,124
Inventories	21,827	200,949	-	222,776
Total current assets	229,670	200,949	11,281	441,900
Non-current assets:				
Machinery and equipment	693,223	-	-	693,223
Accumulated depreciation	(412,251)	-	-	(412,251)
Total non-current assets	280,972	-	-	280,972
Total assets	510,642	200,949	11,281	722,872
Liabilities				
Current liabilities:				
Accounts payable	-	11,312	-	11,312
Due to other funds	-	189,637	-	189,637
Total current liabilities	-	200,949	-	200,949
Net assets				
Net investment in capital assets	280,972	-	-	280,972
Unrestricted	229,670	-	11,281	240,951
Total net assets	\$ 510,642	-	11,281	521,923

See accompanying independent auditor's report.

Schedule 7

Dallas Center-Grimes Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 893,733	-	-	893,733
Other operating revenue	24,699	201,057	2,705	228,461
Total operating revenues	918,432	201,057	2,705	1,122,194
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	150,772	-	150,772
Supplies	-	90,893	2,429	93,322
	-	241,665	2,429	244,094
Non-instructional programs:				
Food services operations:				
Services	1,189,473	-	-	1,189,473
Supplies	82,108	-	-	82,108
Depreciation	49,516	-	-	49,516
	1,321,097	-	-	1,321,097
Total operating expenses	1,321,097	241,665	2,429	1,565,191
Operating income (loss)	(402,665)	(40,608)	276	(442,997)
Non-operating revenue:				
State lunch and breakfast program claims	10,158	-	-	10,158
National school lunch program	270,807	-	-	270,807
School breakfast program	35,683	-	-	35,683
Federal food commodities revenue	76,843	-	-	76,843
Interest income	532	-	-	532
Total non-operating revenues	394,023	-	-	394,023
Income (loss) before other sources (uses)	(8,642)	(40,608)	276	(48,974)
Other sources				
Capital contributions	37,646	-	-	37,646
Total other sources	37,646	-	-	37,646
Change in net assets	29,004	(40,608)	276	(11,328)
Net position beginning of year	481,638	40,608	11,005	533,251
Net position end of year	\$ 510,642	-	11,281	521,923

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 893,733	-	-	893,733
Cash received from miscellaneous operating activities	24,699	470,492	2,705	497,896
Cash payments to suppliers for goods or services	(1,241,270)	(431,478)	(2,429)	(1,675,177)
Net cash used by financing activities	(322,838)	39,014	276	(283,548)
Cash flows from non-capital financing activities:				
State grants received	10,158	-	-	10,158
Federal grants received	306,490	-	-	306,490
Net cash provided by non-capital financing activities	316,648	-	-	316,648
Cash flows from capital and related financing activities:				
Interfund loan	-	(39,014)	-	(39,014)
Net cash used by capital and related financing activities	-	(39,014)	-	(39,014)
Cash flows from investing activities:				
Interest on investments	532	-	-	532
Net increase in cash and cash equivalents	(5,658)	-	276	(5,382)
Cash and cash equivalents at beginning of year	213,501	-	11,005	224,506
Cash and cash equivalents at end of year	\$ 207,843	-	11,281	219,124
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (402,665)	(40,608)	276	(442,997)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	76,843	-	-	76,843
Depreciation	49,516	-	-	49,516
Decrease (increase) in accounts receivable	-	269,435	-	269,435
Increase in inventories	(5,109)	(200,949)	-	(206,058)
Increase (decrease) in accounts payable	(41,423)	11,136	-	(30,287)
Net cash used by operating activities	\$ (322,838)	39,014	276	(283,548)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:				
Current assets:				
Cash and investments	\$ 207,843	-	11,281	219,124
Cash and cash equivalents at year end	\$ 207,843	-	11,281	219,124

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$76,843 of federal commodities.

See accompanying independent auditor's report.

Schedule 9

Dallas Center-Grimes Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 3,047	118,961	115,987	6,021
Total assets	\$ 3,047	118,961	115,987	6,021
Liabilities				
Accounts payable	\$ 3,047	118,961	115,987	6,021
Total liabilities	\$ 3,047	118,961	115,987	6,021

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 11,884,997	12,649,685	12,949,278	12,739,378	11,363,921	10,619,714	9,825,186	9,082,518	8,307,448	7,758,249
Tuition	2,160,260	1,880,643	1,980,567	1,500,763	1,395,539	1,012,133	843,932	856,003	762,661	551,096
Other	2,146,295	1,149,854	1,066,535	950,438	857,296	1,086,116	1,020,355	1,291,850	749,178	853,784
Intermediate sources	-	-	-	-	-	-	-	-	-	9,160
State sources	13,584,833	10,203,422	9,543,447	8,604,944	7,016,341	8,078,842	7,211,170	6,619,458	6,250,822	5,759,194
Federal sources	535,750	1,294,504	1,545,858	1,024,959	1,428,832	572,324	305,557	286,065	183,603	190,888
Total	\$ 30,312,135	27,178,108	27,085,685	24,820,482	22,061,929	21,369,129	19,206,200	18,135,894	16,253,712	15,122,371
Expenditures:										
Instruction:										
Regular	\$ 9,568,759	9,017,465	8,501,484	7,849,462	7,355,452	7,088,478	6,290,307	5,628,941	5,164,281	4,836,598
Special	3,588,540	3,119,983	2,755,783	2,634,941	2,641,397	2,553,384	2,043,222	2,007,372	2,283,500	1,726,074
Other	1,815,048	1,641,719	1,588,602	1,348,211	1,268,276	1,403,303	1,118,647	1,134,497	520,020	833,671
Support services:										
Student	598,037	490,337	460,271	447,669	304,895	280,913	308,091	313,631	262,652	274,129
Instructional staff	1,057,144	859,640	762,515	674,401	622,790	625,916	728,554	641,692	607,481	596,483
Administration	2,711,628	2,118,846	2,032,968	2,031,545	1,849,610	1,574,775	1,266,285	1,105,159	1,020,140	996,449
Operation and maintenance										
of plant	2,718,926	2,227,993	2,253,378	1,955,381	1,924,219	1,906,595	1,711,100	1,701,335	1,540,756	1,448,043
Transportation	1,402,211	1,252,583	1,002,860	945,413	922,979	734,216	908,382	684,799	677,594	705,590
Other expenditures:										
Facilities acquisition	2,610,141	2,648,167	15,272,641	2,222,456	414,834	1,685,470	6,838,285	2,855,622	1,830,565	4,100,500
Long-term debt:										
Principal	1,310,000	1,075,000	1,245,000	1,160,000	1,285,301	1,703,506	1,761,407	3,419,786	1,475,000	1,090,000
Interest and other charges	1,386,846	1,872,183	2,062,644	1,058,320	1,011,053	1,031,399	1,092,893	1,171,975	1,053,011	1,115,523
AEA flowthrough	823,740	729,350	700,651	731,714	689,348	602,958	528,510	483,562	445,711	412,728
Total	\$ 29,591,020	27,053,266	38,638,797	23,059,513	20,290,154	21,190,913	24,595,683	21,148,371	16,880,711	18,135,788

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 14	\$ 35,683
National School Lunch Program	10.555	FY 14	347,650
			<u>383,333</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 14	<u>96,896</u>
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>80,711</u>
Advanced Placement Program	84.330	FY 14	<u>681</u>
Improving Teacher Quality State Grants	84.367	FY 14	<u>25,932</u>
Grants for State Assessments and Related Activities	84.369	FY 14	<u>12,975</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 14	<u>95,720</u>
U.S. Department of Health and Human Services:			
Iowa Department Of Education:			
AIDS Education	93.938	FY 14	<u>170</u>
Total			<u>\$ 696,418</u>

See Notes to Schedule of Expenditures of Federal Awards.

Dallas Center-Grimes Community School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Dallas Center-Grimes Community School District for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Pass-through Funding

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA	Amount Provided to
Career and Technical Education - Basic Grants to States	84.048	\$ 61,100

Note 4. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$76,843 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Dallas Center-Grimes Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, cities of Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dallas Center-Grimes Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dallas Center-Grimes School District's Responses to the Findings

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Dallas Center-Grimes Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 6, 2014



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Dallas Center-Grimes Community School District:

Report on Compliance for Each Major Federal Program

We have audited Dallas Center-Grimes Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Dallas Center-Grimes Community School District's major federal programs for the year ended June 30, 2014. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dallas Center-Grimes Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dallas Center-Grimes Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dallas Center-Grimes Community School District's internal control over compliance with type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 6, 2014

**Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014**

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Dallas Center-Grimes Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amount in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. However, we would like to note that total expenditures were within budgeted amounts.

Conclusion – Response accepted.

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

- IV-B-14 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kent Hicok, Spouse of Board Member	Supplies	\$162
Devin Eilers, Child of Board Member	Scholarship	1,000
Emily Gustafson, Child of Board Member	Scholarship	2,000
Lakes Printing, Parents of Elementary Principal, Ann Bass	Printing Services	747

None of the transactions appear to represent a conflict of interest and they appear to be in compliance with board policies.

Recommendation – The District may want to consult legal counsel to determine disposition of this matter.

Response – We will consider the need to consult legal counsel.

Conclusion – Response accepted.

- IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- IV-F-14 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

- IV-G-14 Certified Enrollment - Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation - The certified enrollment data should be corrected.

Response - We will attempt to correct certified enrollment errors in the future.

Conclusion - Response accepted.

- IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-14 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

- IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

IV-K-14 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	3,096,504
Revenues/transfers in:			
Sales tax revenues	\$	1,874,433	
Other local revenues		2,106	1,876,539
			<u>4,973,043</u>
Expenditures/transfers out:			
School infrastructure construction		1,625,081	
Transfers to other funds:			
Debt service funds		289,613	1,914,694
			<u>1,914,694</u>
Ending balance		\$	<u>3,058,349</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.